



The Iran Sanctions Act (ISA)

Kenneth Katzman

Specialist in Middle Eastern Affairs

June 4, 2009

Congressional Research Service

7-5700

www.crs.gov

RS20871

Report Documentation Page				Form Approved OMB No. 0704-0188	
Public reporting burden for the collection of information is estimated to average 1 hour per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to Washington Headquarters Services, Directorate for Information Operations and Reports, 1215 Jefferson Davis Highway, Suite 1204, Arlington VA 22202-4302. Respondents should be aware that notwithstanding any other provision of law, no person shall be subject to a penalty for failing to comply with a collection of information if it does not display a currently valid OMB control number.					
1. REPORT DATE 04 JUN 2009		2. REPORT TYPE		3. DATES COVERED 00-00-2009 to 00-00-2009	
4. TITLE AND SUBTITLE The Iran Sanctions Act (ISA)				5a. CONTRACT NUMBER	
				5b. GRANT NUMBER	
				5c. PROGRAM ELEMENT NUMBER	
6. AUTHOR(S)				5d. PROJECT NUMBER	
				5e. TASK NUMBER	
				5f. WORK UNIT NUMBER	
7. PERFORMING ORGANIZATION NAME(S) AND ADDRESS(ES) Congressional Research Service, Library of Congress, 101 Independence Ave., SE, Washington, DC, 20540-7500				8. PERFORMING ORGANIZATION REPORT NUMBER	
9. SPONSORING/MONITORING AGENCY NAME(S) AND ADDRESS(ES)				10. SPONSOR/MONITOR'S ACRONYM(S)	
				11. SPONSOR/MONITOR'S REPORT NUMBER(S)	
12. DISTRIBUTION/AVAILABILITY STATEMENT Approved for public release; distribution unlimited					
13. SUPPLEMENTARY NOTES					
14. ABSTRACT					
15. SUBJECT TERMS					
16. SECURITY CLASSIFICATION OF:			17. LIMITATION OF ABSTRACT Same as Report (SAR)	18. NUMBER OF PAGES 12	19a. NAME OF RESPONSIBLE PERSON
a. REPORT unclassified	b. ABSTRACT unclassified	c. THIS PAGE unclassified			

Summary

International pressure on Iran to curb its nuclear program has increased the hesitation of many major foreign firms to invest in Iran's energy sector, hindering Iran's efforts to expand oil production beyond 4.1 million barrels per day. However, some firms continue to see opportunity in Iran, particularly companies in Asia that appear eager to fill the void left by major European and American firms and to line up steady supplies of Iranian oil and gas.

The formal U.S. effort to curb energy investment in Iran began in 1996 with the Iran Sanctions Act (ISA). No firms have been sanctioned under it and the precise effects of that law on energy investment in Iran—as separate from other factors affecting international firms' decisions on whether to invest in Iran—has been unclear. In the 110th Congress, two bills passed the House (H.R. 1400 and H.R. 7112) that would add several ISA provisions.

As many in Congress express concern about the reticence of U.S. allies, of Russia, and of China, to impose very strict economic sanctions on Iran, versions or variations of these bills have been introduced in the 111th Congress. For example, H.R. 2194, H.R. 1985, and S. 908 would include as ISA violations: selling refined gasoline to Iran; providing shipping insurance or other services to deliver gasoline to Iran; or supplying equipment to or performing the construction of oil refineries in Iran. H.R. 2192 and S. 908 would also expand the menu of available sanctions against violators.

For more on Iran, see CRS Report RL32048, *Iran: U.S. Concerns and Policy Responses*, by Kenneth Katzman.

Contents

Background of the Iran Sanctions Act (ISA)	1
Key Provisions.....	1
“Triggers” and Available Sanctions	1
Waiver and Termination Authority.....	2
Iran Freedom Support Act Amendments	3
Effectiveness and Ongoing Challenges	3
Relationships to Other Sanctions and to Iranian Negotiating Behavior	4
Energy Routes and Refinery Investment	5
Refinery Construction	6
Significant Purchase Agreements	6
Efforts in the 110 th and 111 th Congress to Expand ISA Application	6
New Ideas	7

Tables

Table 1. Post-1999 Major Investments in Iran’s Energy Sector.....	8
---	---

Contacts

Author Contact Information	9
----------------------------------	---

Background of the Iran Sanctions Act (ISA)

The Iran Sanctions Act (ISA) is one among many U.S. sanctions in place against Iran. Originally called the Iran-Libya Sanctions Act (ILSA), it was enacted to complement other measures—particularly Executive Order 12959 of May 6, 1995, that banned U.S. trade with and investment in Iran—intended to deny Iran the resources to further its nuclear program and to support terrorist organizations such as Hizbollah, Hamas, and Palestine Islamic Jihad. Iran’s petroleum sector generates about 20% of Iran’s GDP, but its onshore oil fields and oil industry infrastructure are aging and need substantial investment. Its large natural gas resources (940 trillion cubic feet, exceeded only by Russia) were undeveloped when ISA was first enacted. Iran has 136.3 billion barrels of proven oil reserves, the third largest after Saudi Arabia and Canada.

In 1995 and 1996, U.S. allies did not join the United States in enacting trade sanctions against Iran, and the Clinton Administration and Congress believed that it might be necessary for the United States to try to deter their investment in Iran. The opportunity to do so came in November 1995, when Iran opened its energy sector to foreign investment. To accommodate its ideology to retain control of its national resources, Iran used a “buy-back” investment program in which foreign firms recoup their investments from the proceeds of oil and gas discoveries but do not receive equity. With input from the Administration, on September 8, 1995, Senator Alfonse D’Amato introduced the “Iran Foreign Oil Sanctions Act” to sanction foreign firms’ exports to Iran of energy technology. A revised version instead sanctioning *investment* in Iran’s energy sector passed the Senate on December 18, 1995 (voice vote). On December 20, 1995, the Senate passed a version applying the legislation to Libya as well, which was refusing to yield for trial the two intelligence agents suspected in the December 21, 1988, bombing of Pan Am 103. The House passed H.R. 3107, on June 19, 1996 (415-0), and then concurred on a slightly different Senate version adopted on July 16, 1996 (unanimous consent). It was signed on August 5, 1996 (P.L. 104-172).

Key Provisions

ISA consists of a number of “triggers”—activity which, if carried out, would be considered violations of ISA and could cause a firm or entity to be sanctioned in accordance with ISA’s provisions. ISA provides a number of different sanctions that the President could impose that would harm a foreign firm’s business opportunities in the United States. ISA does not, and probably could not legally or practically, compel any foreign government to take any specific action against one of its firms.

“Triggers” and Available Sanctions

ISA requires the President to sanction companies (entities, persons) that make an “investment” of more than \$20 million in one year in Iran’s energy sector,¹ or that sell to Iran weapons of mass

¹ The definition of “investment” in ISA (Section 14 (9)) includes not only equity and royalty arrangements (including additions to existing investment, as added by P.L. 107-24) but any contract that includes “responsibility for the (continued...) ”

destruction (WMD) technology or “destabilizing numbers and types” of advanced conventional weapons.² ISA is primarily targeting foreign firms, because American firms are already prohibited from investing in Iran under the 1995 trade and investment ban discussed earlier.

Once a firm is determined to be a violator, ISA requires the imposition of *two* of a menu of six sanctions on that firm. The available sanctions the President can select from (Section 6) include: (1) denial of Export-Import Bank loans, credits, or credit guarantees for U.S. exports to the sanctioned entity; (2) denial of licenses for the U.S. export of military or militarily-useful technology; (3) denial of U.S. bank loans exceeding \$10 million in one year; (4) if the entity is a financial institution, a prohibition on its service as a primary dealer in U.S. government bonds; and/or a prohibition on its serving as a repository for U.S. government funds (each counts as one sanction); (5) prohibition on U.S. government procurement from the entity; and (6) restriction on imports from the entity, in accordance with the International Emergency Economic Powers Act (IEEPA, 50 U.S.C. 1701).

Waiver and Termination Authority

The President has the authority under ISA to waive the sanctions on Iran if he certifies that doing so is important to the U.S. national interest (Section 9(c)). There was also waiver authority in the original version of ISA if the parent country of the violating firm joined a sanctions regime against Iran, but this waiver provision was made inapplicable by subsequent legislation. ISA application to Iran would terminate if Iran is determined by the Administration to have ceased its efforts to acquire WMD and is removed from the U.S. list of state sponsors of terrorism, *and* no longer “poses a significant threat” to U.S. national security and U.S. allies.³ Application to Libya terminated when the President determined on April 23, 2004, that Libya had fulfilled the requirements of all U.N. resolutions on Pan Am 103.

Traditionally reticent to impose economic sanctions, the European Union opposed ISA as an extraterritorial application of U.S. law. In April 1997, the United States and the EU agreed to avoid a trade confrontation in the World Trade Organization (WTO) over it and a separate Cuba sanctions law, (P.L. 104-114). The agreement contributed to a May 18, 1998, decision by the Clinton Administration to waive ISA sanctions (“national interest”—Section 9(c) waiver) on the first project determined to be in violation—a \$2 billion⁴ contract (September 1997) for Total SA of France and its partners, Gazprom of Russia and Petronas of Malaysia to develop phases 2 and 3 of the 25-phase South Pars gas field. The EU pledged to increase cooperation with the United

(...continued)

development of petroleum resources” of Iran, interpreted to include pipelines to or through Iran. The definition excludes sales of technology, goods, or services for such projects, and excludes financing of such purchases. For Libya, the threshold was \$40 million, and sanctionable activity included export to Libya of technology banned by Pan Am 103-related Security Council Resolutions 748 (March 31, 1992) and 883 (November 11, 1993). For Iran, the threshold dropped to \$20 million, from \$40 million, one year after enactment, when U.S. allies did not join a multilateral sanctions regime against Iran.

² This latter “trigger” was added by P.L. 109-293.

³ This latter termination requirement added by P.L. 109-293

⁴ Dollar figures for investments in Iran represent public estimates of the amounts investing firms are expected to spend over the life of a project, which might in some cases be several decades.

States on non-proliferation and counter-terrorism, and the Administration indicated future investments by EU firms in Iran would not be sanctioned.

ISA was to sunset on August 5, 2001, in a climate of lessening tensions with Iran and Libya. During 1999 and 2000, the Clinton Administration had eased the trade ban on Iran somewhat to try to engage the relatively moderate Iranian President Mohammad Khatemi. In 1999, Libya yielded for trial the Pan Am 103 suspects. However, some maintained that both countries would view its expiration as a concession, and renewal legislation was enacted (P.L. 107-24, August 3, 2001). This law required an Administration report on ISA's effectiveness within 24 to 30 months of enactment; that report was submitted to Congress in January 2004 and did not recommend that ISA be repealed.

Iran Freedom Support Act Amendments

In addition to the amendments to ISA referred to above, P.L. 109-293, the "Iran Freedom and Support Act" (H.R. 6198) amended ISA by: (1) calling for, *but not requiring*, a 180-day time limit for a violation determination; (2) recommending against U.S. nuclear agreements with countries that supply nuclear technology to Iran; (3) expanding provisions of the USA Patriot Act (P.L. 107-56) to curb money-laundering for use to further WMD programs; (4) extending ISA until December 31, 2011; and (5) formally dropping Libya and changing the name to the Iran Sanctions Act.

Earlier versions of the Iran Freedom and Support Act in the 109th Congress (H.R. 282, S. 333) were viewed as too restrictive of Administration prerogatives. Among the provisions of these bills not ultimately adopted included: setting a 90-day time limit for the Administration to determine whether an investment is a violation (there is no time limit in the original law); cutting U.S. foreign assistance to countries whose companies violate ISA; and, applying the U.S. trade ban on Iran to foreign subsidiaries of U.S. companies.

Effectiveness and Ongoing Challenges

The Bush Administration maintained that, even without actually imposing ISA sanctions, the threat of sanctions—coupled with Iran's reputedly difficult negotiating behavior, and compounded by Iran's growing isolation because of its nuclear program—slowed Iran's energy development. The Obama Administration has not altered any U.S. sanctions on Iran—and in fact renewed the U.S. trade and investment ban on Iran (Executive Order 12959) in March 2009, but its overall policy approach contrasts with the Bush Administration approach by actively attempting to engage Iran in negotiations on the nuclear issue, rather than focusing only on increasing sanctions on Iran.

As shown in the table below, several foreign investment agreements have been agreed with Iran since the 1998 Total consortium waiver, but others have been long stalled. Some investors, such as major European firms Repsol, Royal Dutch Shell, and Total, have announced pullouts, declined further investment, or resold their investments to other companies. On July 12, 2008, Total and Petronas, the original South Pars investors, pulled out of a deal to develop a liquified natural gas (LNG) export capability at Phase 11 of South Pars, saying that investing in Iran at a time of growing international pressure over its nuclear program is "too risky." Also in 2008, Japan significantly reduced its participation in the development of Iran's large Azadegan field. Some of the void has been filled, at least partly, by Asian firms such as those of China and

Malaysia. However, some of those agreements are being implemented only slowly and these companies are perceived not as technically capable as those that have withdrawn from Iran.

These trends have constrained Iran's energy sector significantly; Iran's deputy Oil Minister said in November 2008 that Iran needs about \$145 billion in new investment over the next ten years in order to build a thriving energy sector. As a result of sanctions and the overall climate of international isolation of Iran, its oil production has not grown—it remains at about 4.1 million barrels per day (mbd)—although it has not fallen either.

Some analyses, including by the National Academy of Sciences, say that, partly because of growing domestic consumption, Iranian oil exports are declining to the point where Iran might have negligible exports of oil by 2015.⁵ Others maintain that Iran's gas sector can more than compensate for declining oil exports, although it needs gas to re-inject into its oil fields and remains a relatively minor gas exporter. It exports about 3.6 trillion cubic feet of gas, primarily to Turkey. A GAO study of December 2007, (GAO-08-58), contains a chart of *post-2003* investments in Iran's energy sector, totaling over \$20 billion in investment, although the chart includes petrochemical and refinery projects, as well as projects that do not exceed the \$20 million in one year threshold for ISA sanctionability.

Since the Total/Petronas/Gazprom project in 1998, no projects have been determined as violations of ISA. Some of the projects listed in the GAO report and in the table below may be under review by the State Department (Bureau of Economic Affairs), but no publication of such deals has been placed in the *Federal Register* (requirement of Section 5e of ISA), and no determinations of violation have been announced. State Department reports to Congress on ISA, required every six months, have routinely stated that U.S. diplomats raise U.S. policy concerns about Iran with investing companies and their parent countries. However, these reports do not specifically state which foreign companies are being investigated for ISA violations. Undersecretary of State for Political Affairs William Burns testified on July 9, 2008 (House Foreign Affairs Committee) that the Statoil project (listed in the table) is under review for ISA sanctions; he did not mention any of the other projects, and no other specific projects have been named since. Nor has there been a formal State Department determination on Statoil since that statement.

Some Members of Congress believe that ISA would have been even more effective if successive Administrations had imposed sanctions, and have expressed frustration that the Executive branch has not imposed ISA sanctions. Section 7043 of P.L. 111-8, the FY09 omnibus appropriation, requires, within 180 days, an Administration report on U.S. sanctions, including which companies are believed to be violators, and what the Administration is doing to enforce sanctions on Iran. The provision appears to apply primarily to ISA.

Relationships to Other Sanctions and to Iranian Negotiating Behavior

ISA is one of many mechanisms the United States and its European partners are using to try to pressure Iran. U.S. officials, whose leverage has been enhanced by five U.N. Security Council Resolutions passed since 2006 that sanction Iran, have persuaded many European and other banks

⁵ Stern, Roger. "The Iranian Petroleum Crisis and United States National Security," *Proceedings of the National Academy of Sciences of the United States of America*. December 26, 2006.

not to finance exports to Iran or to process dollar transactions with Iranian banks; and they have persuaded European governments to reduce export credits guarantees to Iran. The actions have, according to the International Monetary Fund, partly dried up financing for energy industry and other projects in Iran, and have caused potential investors in the energy sector to withdraw from or hesitate on finalizing pending projects.

Some observers maintain that, over and above the threat of ISA sanctions and the international pressure on Iran, it is Iran's negotiating behavior that has slowed international investment in Iran's energy sector. Some international executives that have negotiated with Iran say Iran insists on deals that leave little profit, and that Iran frequently seeks to renegotiate provisions of a contract after it is ratified.

Energy Routes and Refinery Investment

ISA's definition of "investment" has been interpreted by successive Administrations to include construction of energy routes to or through Iran—because such routes help Iran develop its petroleum resources. The Clinton and Bush Administrations used the threat of ISA sanctions to deter oil routes involving Iran and thereby successfully promoted an alternate route from Azerbaijan (Baku) to Turkey (Ceyhan). The route became operational in 2005. No sanctions were imposed on a 1997 project viewed as necessary to U.S. ally Turkey—an Iran-Turkey natural gas pipeline in which each constructed the pipeline on its side of their border. The State Department did not impose ISA sanctions on the grounds that Turkey would be importing gas originating in Turkmenistan, not Iran. However, direct Iranian gas exports to Turkey began in 2001, and, as shown in the table, in July 2007, a preliminary agreement was reached to build a second Iran-Turkey pipeline, through which Iranian gas would also flow to Europe. That agreement was not finalized during Iranian President Mahmoud Ahmadinejad's visit to Turkey in August 2008 because of Turkish commercial concerns but the deal remains under active discussion. On February 23, 2009, Iranian newspapers said Iran had formed a joint venture with a Turkish firm to export 35 billion cubic meters of gas per year to Europe; 50% of the venture would be owned by the National Iranian Gas Export Company (NIGEC).

Another pending deal is the construction of a gas pipeline from Iran to India, through Pakistan (IPI pipeline). The three governments have stated they are committed to the \$7 billion project, which would take about three years to complete, but India did not sign a deal "finalization" that was signed by Iran and Pakistan on November 11, 2007. India had re-entered discussions on the project following Iranian President Mahmoud Ahmadinejad's visit to India in April 2008, which also resulted in Indian firms' winning preliminary Iranian approval to take equity stakes in the Azadegan oil field project and South Pars gas field Phase 12. India did not attend further talks on the project in September 2008, raising continued concerns on security of the pipeline, the location at which the gas would be officially transferred to India, pricing of the gas, tariffs, and the source in Iran of the gas to be sold. Perhaps to address some of those concerns, but also perhaps to move forward whether or not India joins the project, in January 2009 Iran and Pakistan amended the proposed pricing formula for the exported gas to reflect new energy market conditions. During the Bush Administration, Secretary of State Rice, on several occasions "expressed U.S. concern" about the pipeline deal or have called it "unacceptable," but no U.S. official has stated outright that it would be sanctioned.

Iran might also be exploring other export routes for its gas. A potential project involving Iran is the Nabucco pipeline project, which would transport Iranian gas to western Europe. Iran, Turkey, and Austria reportedly are negotiating on that project. The Bush Administration did not support

Iran's participation in the project and the Obama Administration apparently takes the same view, even though the project might make Europe less dependent on Russian gas supplies. Iran's Energy Minister Gholam-Hossein Nozari said on April 2, 2009 that Iran is considering negotiating a gas export route—the “Persian Pipeline”—that would send gas to Europe via Iraq, Syria, and the Mediterranean Sea.

Refinery Construction

Construction of oil refineries or petrochemical plants in Iran—included in the referenced GAO report—might also constitute sanctionable projects because they might, according to ISA's definition of investment: “include responsibility for the development of petroleum resources located in Iran...” would benefit Iran's energy sector. Iran has plans to build or expand, possibly with foreign investment, at least eight refineries in an effort to ease gasoline imports that supply about 25% - 30% of Iran's needs. According to some experts, Iran's institution of gasoline rationing in Iran in June 2007 reduced this dependency on gasoline imports from the 40% previously.

It is not clear whether or not Iranian investments in energy projects in other countries, such as Iranian investment to help build five oil refineries in Asia (China, Indonesia, Malaysia, and Singapore) and in Syria, reported in June 2007, would constitute sanctionable investment under ISA.

Significant Purchase Agreements

Other major energy deals with Iran are considered a blow to European solidarity, but would not appear to constitute violations of ISA. In March 2008, Switzerland's EGL utility agreed to buy 194 trillion cubic feet per year of Iranian gas for 25 years, through a Trans-Adriatic Pipeline (TAP) to be built by 2010, a deal valued at least \$15 billion. The United States criticized the deal as sending the “wrong message” to Iran. However, as testified by Under Secretary of State Burns on July 9, 2008, the deal appears to involve only purchase of Iranian gas, not exploration, and likely does not violate ISA. In August 2008, Germany's Steiner-Prematechnik-Gastec Co. agreed to apply its method of turning gas into liquid fuel at three Iranian plants. In early October 2008, Iran agreed to export 1 billion cu.ft./day of gas to Oman, via a pipeline to be built that would end at Oman's LNG export terminal facilities.

Sales of gasoline to Iran, which imports about 30% of its gasoline, are not currently sanctionable under ISA under widely accepted definitions of ISA violations.

Efforts in the 110th and 111th Congress to Expand ISA Application

In the 110th Congress, several bills contained numerous provisions that would have further amended ISA, but they were not adopted. H.R. 1400, which passed the House on September 25, 2007 (397-16), would have removed the Administration's ability to waive ISA sanctions under Section 9(c), national interest grounds, but it would not have imposed on the Administration a time limit to determine whether a project is sanctionable.

That bill and several others—including S. 970, S. 3227, S. 3445, H.R. 957 (passed the House on July 31, 2007), and H.R. 7112 (which passed the House on September 26, 2008)—would: (1) expand the definition of sanctionable entities to official credit guarantee agencies, such as France's COFACE and Germany's Hermes, and to financial institutions and insurers generally; and (2) make investment to develop a liquified natural gas (LNG) sector in Iran a sanctionable violation. Iran has no LNG export terminals, in part because the technology for such terminals is patented by U.S. firms and unavailable for sale to Iran.

Among related bills in the 110th Congress, H.R. 2880 would make sales to Iran of refined petroleum resources a violation of ISA, although some believe that a sanction such as this would only be effective if it applied to all countries under a U.N. Security Council resolution rather than a unilateral U.S. sanction. H.R. 2347, (passed the House on July 31, 2007), would protect from lawsuits fund managers that divest from firms that make ISA-sanctionable investments. (A version of this bill, H.R. 1327, has been introduced in the 111th Congress.)

In early 2009, there were some indications that congressional sentiment had some effect on foreign firms, even without enactment of significant ISA amendment in the 110th Congress. In January 2009, Reliance Industries Ltd of India said it would cease new sales of refined gasoline to Iran after completing existing contracts that expired December 31, 2008. The Reliance decision came after several Members of Congress urged the Exim Bank of the United States to suspend assistance to Reliance, on the grounds that it was assisting Iran's economy with the gas sales. The Exim Bank, in August 2008, had extended a total of \$900 million in financing guarantees to Reliance to help it expand. However, some observers say Reliance continues to make such sales, as does Vitol of Switzerland, which had similarly announced it would close out existing gas sales to Iran, in this case by the end of 2007.

New Ideas

A number of ideas, similar to those that surfaced in the 110th Congress, have been introduced as legislation in the 111th Congress. One measure was passed in the Senate; an amendment to S.Con.Res. 13, the FY2010 budget resolution, expressed the Sense of Congress that the U.S. government not purchase any goods or services from any international firm that obtains at least \$1 million in revenue from the sale of goods or services to Iran's energy sector. The provision defined these goods or services as including: development of Iran's oil and gas fields; selling refined petroleum products to Iran, the enhancement or maintenance of Iran's oil refineries, and the provision of shipping or shipping insurance services to Iran. This provision was intended to prevent the U.S. government from procuring any products or services from any firm that conducts the sanctionable activity as defined in the provision. Filling the Strategic Petroleum Reserve with products from such firms would presumably end, if that provision had been adopted by both chambers and the recommendation followed by the Administration.

In April 2009, several bills were introduced—H.R. 2194, S. 908, and H.R. 1985—that would make sanctionable efforts by foreign firms to supply refined gasoline to Iran or to supply equipment to Iran that could be used by Iran to expand or construction oil refineries. Such activity is not now sanctionable under ISA. S. 908 and H.R. 2194 would, in addition, expand the menu of sanctions available for the President to impose, in order to enact penalties against violating firms. The new available sanctions would include: (1) prohibiting transactions in foreign exchange by the sanctioned firm; (2) prohibiting any financial transactions on behalf of the sanctioned firm; or (3) prohibiting any acquisitions or ownership of U.S. property by the sanctioned entity.

Some Members who have introduced these bills have said that such legislation might appear to conflict with President Obama's diplomatic outreach to Iran, although others believe such bills might strengthen that approach by demonstrating to Iran that there are substantial downsides to rebuffing the U.S. overtures. Upon introducing H.R. 2194, Rep. Howard Berman, Chairman of the House Foreign Affairs Committee, said: "I fully support the Administration's strategy of direct diplomatic engagement with Iran, and I have no intention of moving this bill through the legislative process in the near future....However, should engagement with Iran not yield the desired results in a reasonable period of time, we will have no choice but to press forward with additional sanctions—such as those contained in this bill—that could truly cripple the Iranian economy."

Table 1. Post-1999 Major Investments in Iran's Energy Sector

(\$20 million + investments in oil and gas fields only; refineries, petrochemical plants, not included.)

Date	Field	Company(ies)	Value	Output/Goal
Feb. 1999	Doroud (oil)	Totalfina Elf (France)/ENI (Italy)	\$1 billion	205,000 bpd
Apr. 1999	Balal (oil)	Totalfina Elf/ Bow Valley (Canada)/ENI	\$300 million	40,000 bpd
Nov. 1999	Soroush and Nowruz (oil)	Royal Dutch Shell	\$800 million	190,000 bpd
Apr. 2000	Anaran (oil)	Norsk Hydro (Norway)/Lukoil (Russia)	\$100 million	100,000 (by 2010)
July 2000	Phase 4 and 5, South Pars (gas)	ENI	\$1.9 billion	2 billion cu.ft./day (cfd)
Mar. 2001	Caspian Sea oil exploration	GVA Consultants (Sweden)	\$225 million	?
June 2001	Darkhovin (oil)	ENI	\$1 billion	160,000 bpd
May 2002	Masjid-e-Soleyman (oil)	Sheer Energy (Canada)	\$80 million	25,000 bpd
Sep. 2002	Phase 9 + 10, South Pars (gas)	LG (South Korea)	\$1.6 billion	2 billion cfd
Oct. 2002	Phase 6, 7, 8, South Pars (gas) (est. to begin producing late 08)	Statoil (Norway)	\$2.65 billion	3 billion cfd
Jan. 2004	Azadegan (oil)	Inpex (Japan) 10% stake; China National Oil Co. agreed to develop "north Azadegan" in Jan. 2009	\$200 million (Inpex stake); China \$1.76 billion	260,000 bpd
Aug. 2004	Tusan Block	Petrobras (Brazil)	\$34 million	?
Oct. 2004	Yadavaran (oil). Finalized December 9, 2007	Sinopec (China)	\$2 billion	185,000 bpd (by 2011)
June 2006	Gamsar block (oil)	Sinopec (China)	\$20 million	?
Sept. 2006	Khorramabad block (oil)	Norsk Hydro (Norway)	\$49 million	?

Date	Field	Company(ies)	Value	Output/Goal
Dec. 2007	Golshan and Ferdows onshore and offshore gas fields and LNG plant; modified but reaffirmed December 2008	SKS Ventures (Malaysia)	\$16 billion	3.4 billion cfd
Totals		\$29.5 billion investment Oil: 1.085 million bpd Gas: 10.4 billion cfd		
Pending Deals/Preliminary Agreements				
	Kharg and Bahregansar fields (gas)	IRASCO (Italy)	\$1.6 billion	?
	Salkh and Southern Gashku fields (gas). Includes LNG plant (Nov. 2006)	LNG Ltd. (Australia)	?	?
	North Pars Gas Field (offshore gas). Includes gas purchases (Dec. 2006)	China National Offshore Oil Co.	\$16 billion	3.6 billion cfd
	Phase 13, 14 - South Pars (gas); (Feb. 2007). Deal cancelled in May 2008	Royal Dutch Shell, Repsol (Spain)	\$4.3 billion	?
	Phase 22, 23, 24 - South Pars (gas), incl. transport Iranian gas to Europe and building three power plants in Iran. Initialed July 2007; not finalized to date.	Turkish Petroleum Company (TPAO)	\$12. billion	2 billion cfd
	Iran's Kish gas field (April 2008)	Oman	\$7 billion	1 billion cfd
	Phase 12 South Pars (gas). Incl. LNG terminal construction (March 2009)	China-led consortium; project originally subscribed in May 2007 by OMV (Austria)	\$3.2 billion	20 million tonnes of LNG annually by 2012

Author Contact Information

Kenneth Katzman
Specialist in Middle Eastern Affairs
kkatzman@crs.loc.gov, 7-7612